

*Investment Committee Meeting
Held at the Office of the Policemen's Annuity and Benefit Fund of Chicago (the Fund)
Held on March 25, 2019*

Presiding: Trustee and Investment Committee Chair: Mr. Thomas Beyna

Present: Trustees: Ms. Carol Hamburger and Mr. Michael Lappe

Not Present: Trustees: Ms. Carol Brown, Ms. Samantha Fields, Mr. Kurt Summers Jr., Mr. Edward Wodnicki and Mr. Brian Wright

Fund Office: Mr. Kenneth Kaczmarz, Interim Executive Director, Ms. Caroline Vullmahn, Comptroller

NEPC, LLC Mr. John Elliot, Partner and Ms. DeAnna Jones, Senior Analyst

President Beyna called the meeting to order at approximately 9:00 a.m.

I. Cash Flow Update

Ms. Caroline Vullmahn, Comptroller of the Policemen's Annuity and Benefit Fund of Chicago (PABF or the Fund), began her presentation regarding the Fund's cash flow. Ms. Vullmahn provided the Committee members a PABF Cash Flow worksheet which was distributed and shows the Fund's cash balances, expected benefit payments, other expenses for the month, and the projected cash on hand as of March 31, 2019. Ms. Vullmahn indicated that at the end of the month, the cash balance is anticipated to be approximately \$322.9 million. Ms. Vullmahn also indicated that the Fund has pending Capital Calls totaling \$110 million that might reduce the available cash over the next several months.

Ms. Vullmahn explained the details pertaining to the Tax Receipts information provided on the Cash flow worksheet. Ms. Vullmahn indicated the amounts attributable from the receipts for each individual Levy and Payment year along with information on the amounts received through the Fund's ability to "Intercept" funds directly from the State of Illinois Comptroller's Office for outstanding balances on each year's Levy.

II. Performance Discussion

Ms. DeAnna Jones and Mr. John Elliot of NEPC briefly reviewed the unaudited monthly Performance Flash provided by the Fund's Master Custodian, The Northern Trust Bank at month end February 28, 2019. For the month the Fund returned a positive 1.83% ahead of the Policy Benchmark return of 1.43% for the same period. Year to date for the two months ended February 28, 2019 indicates a positive return of 6.42% ahead of the Policy benchmark return of 5.97%. Ms. Jones indicated that NEPC will provide its formal 1st Quarter 2019 performance report at the Fund's scheduled Investment Committee meeting of April 22, 2019.

III. Fixed Income Portfolio Review

Ms. DeAnna Jones and Mr. John Elliot of NEPC reviewed materials, previously prepared and distributed, for a review of the Fund's Fixed Income Portfolio. The review is intended to provide Trustees the current structure of the fixed income portfolio, including any security, region or duration under or overweights relative to the Barclays Aggregate index.

The prepared materials include several graphs and schedules that indicate the Security selection, Credit Quality, Duration and Geographic exposures of each of the Fund's separately managed Fixed Income portfolios and Summary information on the total portfolio. Information developed by the analysis indicates that, by design, the Fund is significantly overweight in High Yield securities and underweight in U.S. Treasuries. The Fund made a conscious decision to overweight these categories at earlier stages of the economic cycle.

It is NEPC's recommendation that the Fund issue RFPs for a core and a core plus investment manager(s), with the current core and core plus managers being invited to rebid. It is anticipated that the RFP will be issued in the beginning of April with finalists interviews being made before the Board in June. Following the completion of the core and core plus searches, NEPC recommends reallocating assets from the absolute return portfolio to the core/core plus portfolio, as this will decrease the Fund's allocation to low quality debt. This will help offset the risk of higher defaults (which are higher within the lower quality space) as the market enters into a late cycle. Since additional assets will be allocated to the core/core plus portfolio, NEPC wants to complete the search first and following the completion of the search determine how to trim the lower quality portfolio and allocate the additional assets to make the portfolio more defensive.

Mr. Elliot from NEPC relayed that further evidence of the late-cycle economic stage was seen last Friday March 22, 2019 when the overall yield curve became inverted.

Because of a lack of quorum, the Committee will be recommending the RFPs for core and core plus investment managers to the full Board on Thursday for approval.

IV. Miscellaneous

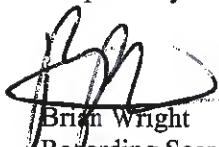
Ms. Vullmahn indicated that GAM would be distributing proceeds from a portion of the portfolio that was liquidated within 7-10 days. The final portion of the portfolio is still being liquidated. The liquidation might be delayed until the proceeds from an IPO might be available to redeem the Fund's securities. It is hoped that this portion of the liquidation would be completed in approximately 3-4 weeks.

Mr. Kaczmarz indicated that he and Ms. Vullmahn met with representatives from Deutsche Bank, the Fund's third party Securities Lending agent. The Fund earned approximately \$810,000 for calendar year 2018 which equates to about an additional 7.2 basis points of return on about \$1.4 billion in lendable securities. The fund has earned approx. \$2.5 million since the inception of the program

Ms. Jones from NEPC stated that NEPC has been in contact with Deutsche Bank securities lending team and that they remain comfortable with their program.

Being no further business the Investment Committee adjourned.

Respectfully submitted,



Brian Wright
Recording Secretary of the Board of Trustees
Investment Committee Member